

Joint hearing on Civilian Personnel Readiness,
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Testimony of Frank Cipolla,
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before the
House Armed Services Committee,
Subcommittee on Military Readiness,
and the
Government Reform Committee,
Subcommittee on Civil Service

Good afternoon.

On behalf of the National Academy of Public Administration, I appreciate the opportunity to appear before you today to discuss civilian personnel readiness.

The National Academy of Public Administration is an independent, non-profit, non-partisan organization chartered by Congress to improve governance. Academy Fellows and staff provide expert advice and counsel to government leaders.

The Academy's work is organized by centers of excellence, one of which is the Center for Human Resources Management. The Center conducts research, benchmarking, best practice studies, and educational programs on human resources management in the public sector. A consortium of 65 government organizations, mostly federal, helps to support the Center and specifies an annual work agenda. We also respond to requests from specific agencies for assistance in a wide variety of human resources management issues, including workforce planning, recruitment, retention, human capital development,

classification, and the impact of information technology on the HR function and on the federal workforce.

Our recent work has included a number of subjects relevant to this hearing.

- An examination of best practices used by organizations to identify and meet future workforce requirements.
- A study of current practices in obtaining contingent workers and recommended steps that agencies can take to getting work done by a flexible workforce.
- An evaluation of current hiring mechanisms and recommendations to improve the government's ability to attract and retain the best talent available.
- An assessment of the effects of downsizing on government and private sector organizations.
- Analyses of the current job classification system and recommendations for needed change.
- An analysis of the need for and techniques for effective succession planning.

I have included a listing of the Academy's studies and reports on these subjects; we can make the publications available for the record if you wish.

Background

Civilian personnel readiness is an important subject. Projecting the role and composition of the civilian component of the total force is a continuing challenge—even more so as agencies look ahead and attempt to build the workforce from where downsizing and

restructuring left it. There is no doubt that the task faced by DOD and its components to assure that the right people are in the right place at the right time, is more daunting than ever. They are searching for answers to questions about what civilians will be doing, what is the right civilian-military mix, what are the competencies, or skill sets, that will be needed, how will the skills and knowledge of the current workforce be updated, what is the best approach to recruiting for scarce skills, and what needs to be done to retain senior-level expertise in key occupations.

Most agencies are facing these or similar questions after spending the better part of the last decade trying to manage downsizing, keeping the adverse impact on people to a minimum, and working to get maximum productivity from the workforce that is left—all while still adhering to merit principles that have been the foundation of federal employment since 1883. Federal managers now find themselves in a “war for talent”—trying to compete in a tough market and making decisions about human capital investment. Government and the private sector alike are discovering that they can’t address these questions in a rational and defensible way without instituting a systematic process of workforce planning. Last year the Academy looked at 17 federal agencies and found that most of them were beginning to do just that.

We have been working individually with several agencies, including the Forest Service, the U.S. Department of Agriculture, the Navy, and the Defense Information Systems Agency, on their workforce planning initiatives. We have also examined how private companies approach the challenge of building the future workforce. From this experience

we have reached some key conclusions about the subject of building a workforce to meet current and future mission requirements.

1.) Workforce requirements must be linked to the agency's overall strategic plans.

Agency strategic plans must have a “people component”. They must have a process to help anticipate and prepare for changes in the workforce. Without a strategic workforce planning process, agency leaders and managers react to circumstances, implementing solutions that may not address the real needs of the organization. Whatever process is used by the organization to develop its plans and objectives concerning its mission, functions, work processes and technology applications, it must include an assessment of the capabilities of the current workforce compared to those required of the future workforce. Based on the gaps between the current workforce and the future need, the organization can develop plans rationally to meet the identified future needs.

Organizations must be able to make decisions about merit-based human capital recruitment, retention and development on a recurring basis. Strategic workforce planning helps ensure that these decisions are guided by data based projections and profiles of the workforce required to accomplish tomorrow's mission successfully.

2.) Workforce planning must include the collection and analysis of data about the external environment as well as information about the current workforce.

Several trends will shape the workforce and the workplace over the next five to ten years, according to various sources included in our studies.

- Skill shortages are expected to continue in areas critical to the missions of many federal agencies. Examples include information technology professionals and health care workers. According to the federal Chief Information Officers Council, there are currently 63,000 information technology jobs in the federal sector. This number is expected to grow to about 70,000 by 2006. During that period there will be a need to hire 4,600 workers to fill the new jobs and 32,315 more to replace workers lost by attrition.
- Retirements will exacerbate these shortages as increasing numbers of baby boomers reach retirement age. In 1998 the average age of federal civilian employees was 45.9 years with 16.9 years of service. As of the end of fiscal year 1999, 28% of the DOD civilian workforce was eligible for retirement.
- This retirement wave, in conjunction with the low level of hiring in federal agencies over the last several years, has resulted in a serious shortage of well-qualified individuals coming up through the ranks. “Bench strength” is seriously thin in many cases.
- The American workforce will become increasingly diverse, with minorities accounting for 27% of the workforce in 2006. By 2006, one third of new labor force entrants will be minorities and one half will be women.
- Technology will make possible alternative work arrangements such as virtual work teams and telecommuting, thus providing flexibility in who does work, when it gets done, where it takes place, and how it is organized.

- The newer generations of employees have different values and expectations. Many place a greater premium on opportunities to learn, a work life-personal life balance, independence and creativity, and flexible work arrangements. The relative security offered by federal jobs is no longer an important factor for many generation X'ers who expect to change jobs frequently to learn new skills, earn a higher salary, and make a variety of contributions.
- As a result of the knowledge explosion, new technology and the rise of the global economy, the requirements for individual and organizational success have changed. Workers must be able to master new roles and the associated competencies as traditional, more narrowly defined jobs give way to multiple roles which can change frequently. The ability to learn quickly and continuously is becoming the principal source of competitive advantage for both individuals and organizations.

3.) **Projections of future workforce requirements must be expressed in terms of needed skills and competencies, not just numbers of full-time permanent employees.**

In today's knowledge-based work world, federal managers must define the skills and competencies needed to accomplish the work of their organizations. These requirements must be periodically reexamined and updated. The IT field is changing so rapidly that the half life of technical knowledge is growing shorter each year.

Jobs are evolving into a range of broad roles requiring less specialization. For example, the human resources professional will no longer be judged competent if he or she only knows the laws, rules and regulations for processing personnel actions. The successful

professional must be a strategic business partner with line managers, a HR substantive expert, a leader, a change agent, and an advocate. In addition to mainstream technical skills, IT professionals must acquire competencies in areas such as policy and organizational knowledge, information resources strategy and planning, IT acquisition, IT performance assessment, capital planning and investment assessment, change management, and management.

4.) Decisions on the composition of the future workforce should consider the use of flexible employment arrangements.

Increasingly, the “right people” for getting the job done in the future will be a mix of workers and a mix of employment arrangements. If the number of civil service employees is further reduced, the number of contract and temporary workers will increase. Many agencies already have more contract workers than civil servants. As noted in the January 2000 issue of *Government Executive*, “By 1997 the government was spending nearly as much on service contracts, \$110 billion, as on the federal payroll, \$113 billion.” With the passage of the Federal Activities Inventory Reform Act (FAIR) and the growing interest in alternative work acquisition, these trends will continue.

Even within the more traditional employer-employee relationship, more flexible employment arrangements will be necessary if the federal government is to attract and retain the best-qualified workers. These arrangements include part-time employment, job sharing, alternative work schedules, telecommuting, perhaps even alternatives which allow for the structured movement between federal positions and private sector employers

providing similar or identical services to the government. The Academy's recent study on the flexible workforce found that 68% of American workers have other than traditional work schedules—defined as fixed hours during the day from Monday to Friday. Part-time workers account for 19% of the total workforce, compared to only 7% of the federal workforce. Three percent of workers nationwide are telecommuters and this number is expected to grow rapidly.

5.) **Managers must be given maximum flexibility in managing work and assigning staff to meet changing mission and program requirements.**

The predominant theme of the trends I have described is that speed and flexibility will become the key determinants of organizational effectiveness. The mission and work requirements of the future will change quickly and often, driven by a changing environment, revised work processes and emerging technology. Federal managers must have the flexibility to redirect the workforce when these changes occur within their organizations.

The lack of flexibility in and a sense of accountability for major human resource management (HRM) functions such as hiring, classification, pay, performance management, and human resource development severely diminish the effectiveness of these programs, and therefore the effectiveness of line managers, their employees and their organizations. Managers should be able to adjust work and people to meet mission demands in the most effective and efficient manner possible consistent with merit and EEO principles.

A number of countries, including Canada, New Zealand and Australia, have in recent years profoundly restructured their civil service systems to allow greater flexibility and responsiveness. These efforts are worth considering because they suggest that it is possible to restructure civil service systems while maintaining a merit based foundation. While these alternatives deserve serious consideration for long-term change, we believe that it is useful to suggest limited changes to the current system that could greatly improve its responsiveness and effectiveness.

The current classification system establishes a rank in position system, with 15 levels or grades on a sliding pay scale. There is about a 30 percent pay range per grade. This system, developed in the 1940's, is inconsistent with work requirements today. And it will become even more inconsistent with the work requirements of the future.

One approach to making the classification system work better is to give line managers the authority to classify positions. Since the Navy implemented a "Manage-to-Payroll" system in 1986, which gave managers classification authority along with responsibility for the payroll budget, other agencies have delegated classification authority either permanently or on an experimental basis.

Perhaps the most significant reform option that has been attempted is broad banding, in which the 15 pay grades are collapsed into three or four broad bands. This gives managers much more flexibility in assigning work, it speeds up the process of filling

positions and reassigning staff, and significantly reduces paperwork. Unfortunately, broad banding has become identified essentially as an alternative pay system and not enough attention has been given to its value in providing flexibility for line managers in managing work, assigning staff, and designing more efficient organizations.

6.) Human capital development and continuous learning should be viewed as an organizational investment and given a high strategic priority.

The amount of knowledge and breadth of skills needed by federal employees is growing and changing more rapidly than ever. Federal agencies need to transform training programs into an ongoing process of re-skilling and re-tooling the workforce to acquire and maintain the competencies needed to keep up with changes in mission, technology, and the content of work itself. What employees need to learn should be guided by the skills and competencies identified by the strategic workforce planning process. This continuous learning approach will not only help agencies keep the capabilities of their existing workforce ahead of the change curve, it will also help attract and retain younger people for whom self-development is a top priority.

Benchmarking studies of private firms conducted by the American Society for Training and Development over the past several years have consistently shown that firms with high levels of investment in training also have better performance as measured by sales, profitability, and quality of products and services. Leading companies spend an average of more than 3% of payroll on training. Reliable data on federal agency expenditures is not available; however, anecdotal information suggests that most spend considerably less.

Another important priority for developing human capital in the federal government is to recruit, hire, and develop entry-level workers from among the best of recent college graduates. Many good programs are already in place; agencies simply need to devote greater management attention and resources to them. Student intern programs have been successful in several agencies and need to be expanded across government. The Presidential Management Intern program has proven to be an excellent means of attracting outstanding talent to the federal service.

7.) Retirement incentives should be used selectively to support restructuring and to retain needed talent in scarce skill occupations.

The reduction of 351,000 positions, or 16% of the workforce, between 1993 and 1998 was a remarkable accomplishment. Two thirds of these reductions came from defense components. Federal-wide downsizing targeted headquarters positions, high grade levels, supervisory positions and administrative positions such as budget, procurement and human resources. It was accomplished with the help of tools like optional buyouts and other incentives. In some cases, buyouts were used selectively to protect hard-to-fill positions. However, as a general rule, buyouts and other incentives were not targeted to employees doing unnecessary or marginal work. Nor were they generally targeted to employees whose skills were obsolete. Skill imbalances resulted in some organizations, along with work backlogs and loss of institutional memory.

Because downsizing occurred 25 to 30 years after a period of growth in federal employment, because it targeted highly paid employees and supervisors, and because it used buyouts that appealed mainly to employees who were eligible to retire, agencies lost a substantial part of the generation of federal employees who started their careers in the 1960's. These employees represented a disproportionate share of the knowledge and expertise that existed in the workforce. They were the mentors, coaches and models for the employees they left behind. Succession planning, internships, apprenticeships and other developmental programs were disrupted or not started. Remaining employees already dispirited by the loss of these respected colleagues were asked to absorb their workload without the benefit of their experience and knowledge, and without change to governing laws and regulations.

If future restructuring of the workforce is necessary due to changing mission requirements, it should be based on a strategic workforce plan that identifies the skills and competencies required to accomplish the work. Selective use of retirement incentives, consistent with strategic workforce planning, should help achieve the organization's objectives.

Conclusions

The work world of tomorrow will be profoundly different for most organizations and, for that reason alone, agencies need an ongoing workforce planning system to assure

maximum readiness. Let me review the key points I have just discussed. I believe they are essential if we are to compete successfully for the best and the brightest talent to accomplish the vital work of the federal government.

- Workforce requirements must be linked to the agency's overall strategic plans.
- Workforce planning must include the collection and analysis of data about the external environment as well as information about the current workforce.
- Projections of future workforce requirements must be expressed in terms of needed skills and competencies, not just numbers of full-time permanent employees.
- Decisions on the composition of the future workforce should consider the use of flexible employment arrangements.
- Managers must be given maximum flexibility in managing work and assigning staff to meet changing mission and program requirements.
- Human capital development and continuous learning should be viewed as an organizational investment and given high strategic priority. More attention and resources need to be devoted to entry-level hiring and development of the best of recent college graduates.
- Retirement incentives should be used selectively to support restructuring and to retain needed talent in scarce skill occupations.

Thank you. I will be glad to answer any questions you might have.

Attachments

Attachment

RECENT PUBLICATONS OF THE NATIONAL ACADEMY OF PUBLIC

ADMINISTRATION ON TOPICS RELATED TO THIS HEARING

- Building the Workforce of the Future to Achieve Organizational Success, 1999.
- New Options, New Talent: The Government Guide to the Flexible Workforce, 1998.
- Entry-Level Hiring and Development for the 21st Century: Professional and Administrative Positions, 1999.
- Effective Downsizing: A Compendium of Lessons Learned for Government Organizations, 1995.
- Downsizing the Federal Workforce: Effects and Alternatives, 1997.
- Innovations and Flexibilities: Overcoming HR System Barriers, 1997.
- Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders, 1997.